Google, Inc. v. Affinity Engines, Inc. Doc. 22

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

GOOGLE INC., a Delaware corporation,

Plaintiff,

v.

AFFINITY ENGINES, INC., a Delaware corporation,

Defendant.

Case No. C 05-0598 JW (HRL)

REPLY BRIEF IN SUPPORT OF AFFINITY ENGINES, INC.'S MOTION TO DISMISS AND/OR STAY PROCEEDINGS

Date: May 9, 2005
Time: 9:00 a.m.
Judge: Honorable James Ware

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TABLE OF CONTENTS

Page

I. INTRODUCTION 1

II. FACTUAL BACKGROUND 2

III. ARGUMENT 4

A. Applicable Legal Standard 4

B. Google's Declaratory Judgment Request Creates No Independent Federal Jurisdiction; The Parties Should Be Permitted To Reach A Final Determination Of Ownership Of The InCircle Code In State Court 5

C. Pursuant To Its Inherent Authority, And Under The Circumstances Of This Case, This Court Should Stay The Copyright Infringement Claim As Well 8

1. The Colorado River Doctrine Is Inapplicable 9

2. In Gen-Probe, Inc. v. Amoco Corp. (S.D. Cal) And Summa Four v. AT&T Wireless (D. Del.) Courts Exercised Their Inherent Authority To Stay Federal Infringement Claims Pending Resolution Of Ownership Issues In State Court 10

3. The Circumstances In The Instant Case Are Virtually Identical To Those In Gen-Probe and Summa Four, Therefore The Court Can And Should Stay The Instant Action, Based Upon The Same Reasoning 12

D. Google Should Not Be Permitted to Achieve A Belated Removal of Its Dispute With AEI to Federal Court 14

E. Both Google's Abandoned Lanham Act Claim and Its Claim for Attorneys' Fees Should Be Dismissed With Prejudice 14

IV. CONCLUSION 15

TABLE OF AUTHORITIES

Page

CASES

Applera Corp. v. Illumina, Inc., 282 F. Supp. 2d 1120 (N.D. Cal., 2003) 9, 11

Brillhart v. Excess Ins. Co. of Am., 316 U.S. 491 (1942) 6

Cash Money Records, Inc. v. Dorsey, 72 U.S.P.Q. 2d 1535 (E.D. La. 2004) 6

Durgom v. Janowiak, 74 Cal. App. 4th 178 (Cal. App. 1999) 5

Exxon Shipping Co. v. Airport Depot Diner, Inc., 120 F.3d 166 (9th Cir. 1997) 7, 14

Foad Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821 (9th Cir. 1981) 6

Gen-Probe v. Amoco Corp., 1996 U.S. Dist. LEXIS 5393 (S.D. Cal. 1996) 4, 10, 12

Government Employees Ins. Co. v. Dizol, 133 F.3d 1220 (9th Cir. 1998)(federal courts generally should decline to entertain "reactive declaratory actions") 7, 14

Hernandez v. Peer Int'l Corp., 270 F. Supp. 2d 207 (D. P.R. 2003) 6

Keith v. Scruggs, 507 F. Supp. 968 (S.D.N.Y. 1981) 5

King v. Atiyeh, 814 F.2d 565 (9th Cir. 1987) 15

Kokkonen v. Guardian Life Ins. Co. of America, 511 U.S. 375 (1994) 4

Landis v. North Am. Co., 299 U.S. 248 (1936) 4

London v. Coopers & Lybrand, 644 F.2d 811 (9th Cir. 1981) 15

Medema v. Medema Builders, Inc., 854 F.2d 210 (7th Cir. 1988) 9, 11

Mediterranean Enters. Inc., v. Ssangyong Corp., 708 F.2d 1458 (9th Cir. 1983) 4

TABLE OF AUTHORITIES
(continued)

Page

Nakash v. Marciano,
882 F.2d 1411 (9th Cir. 1989)........ 4

Peay v. Morton,
571 F. Supp. 108 (M.D. Tenn. 1983)........ 5

Polido v. State Farm Mut. Auto Ins. Co.,
110 F.3d 1418 (9th Cir. 1997)........ 7

RX Data Corp. v. Department of Social Services,
684 F.2d 192 (2d Cir. 1982)........ 9

Skelly Oil Co. v. Phillips Petroleum Co.,
339 U.S. 667 (1950)........ 5

State Farm Fire & Cas. Co. v. Mhoon,
31 F.3d 979 (10th Cir. 1994)........ 7, 14

Stepdesign, Inc. v. Research Media, Inc.,
442 F. Supp. 32 (S.D.N.Y. 1977)........ 8, 9

Summa Four v. AT&T Wireless Servs,
994 F. Supp. 575 (D. Del. 1998) 4, 6, 8, 9, 10, 11, 12, 13

Thornhill Pulb'g Co. v. General Tel & Elec. Corp.,
594 F.2d 730 (9th Cir. 1979)........ 4

Wilton v. Seven Falls Co.,
515 U.S. 277 (1995)........ 4, 8, 9

STATUTES

17 U.S.C. 504 15

17 U.S.C. Section 412........ 15

28 U.S.C. § 1446(b) 14

FRCP 12(b)(1) 4

I. INTRODUCTION

Google attempts to shift the focus to its federal claim by turning a blind eye to the underlying state court contractual ownership issue. This is a central, threshold issue to both Google's affirmative license and ownership defenses now pending in the state court action, and Google's claim of ownership of the inCircle copyright in the present action. Best shown by its ownership declaratory judgment claim, Google does not dispute the clearly overlapping factual issues between the pending state action and this federal action. This threshold dispute over ownership is a pre-requisite to the federal question of copyright. However, a determination by the state court that AEI owns the underlying software will obviate this action completely. Therefore, proceeding with this federal action will only impose duplicative and unnecessary cost and burden, and will enable Google to reach its ultimate goal, to avoid a determination in state court that AEI owns all rights to inCircle and that Google stole that code.

Every district court has inherent discretionary authority to stay proceedings before them. Under these circumstances, where the state court action will entirely determine ownership, and whether Google can proceed with any purported copyright infringement claim, it is appropriate for this Court to stay the instant action. Indeed, a final determination of the issues in the state court action will very likely to be had as early as four to six months from now. Those findings will have collateral estoppel effect against Google's ability to proceed with this action. Google does not dispute this point. A stay will conserve valuable judicial resources and will cause no prejudice to Google, which brought its alleged claim to federal court after the state court case had been pending for eight months. By contrast, failing to stay this action will visit an extreme hardship on AEI, a very small company, which will force it to fight Google on two fronts litigating precisely the same ownership issues and engaging in duplicative discovery. Google does not dispute or refute any of the hardship on AEI.

In the eleven-month-old state court case, AEI contends tha

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disagrees with all of AEI's contentions as to these agreements, but admits that the agreements are at the core of the dispute. Each of these agreements is governed by California contract law; the significance and legal effect of each one is already being litigated by the parties in the pending California state court case.

Further, Google's prayer for attorney's fees, which it does not address at all in its opposition papers, should be dismissed with prejudice. Finally, Google fails to distinguish dispositive Ninth Circuit authority cited by AEI, which dictates that Google's Lanham Act claim (which Google alleged in its original federal complaint, but dropped from its amended federal complaint) should be dismissed with prejudice. AEI's motion should be granted in its entirety.

II. FACTUAL BACKGROUND

The dispute between the parties regarding ownership of the versions of inCircle code created by Orkut Buyukkokten for AEI ("inCircle code") is being resolved in Santa Clara County Superior Court, where the action has been pending for eleven months now. [*See* Declaration of Rory G. Bens In Support Of AEI's Motion to Dismiss and/or Stay Proceedings, Ex. A. (filed 3/1/05)] A Trial Setting Conference in the pending state court matter will be held the day after this reply brief is filed. [Declaration of Gabriel M. Ramsey In Support of AEI's Reply Brief In Support of Motion to Dismiss and/or Stay Proceedings (hereinafter, "Ramsey Decl."), ¶ 3.] AEI believes a trial can and should be had in this matter within the next four to six months. [*Id.*, Ex. A.] AEI has already provided deposition testimony twice concerning its ownership of inCircle. [*Id.*, ¶ 4.] The parties long ago produced nearly 200,000 pages of documents supporting their respective ownership claims. [*Id.*] The parties are currently scheduling the remaining nine depositions of fact witnesses. [*Id.*]

Acknowledging the active dispute regarding ownership of inCircle between the parties, Google devotes several pages of its brief to the parties' contentions on that issue. [*See* Opp. Br. at 1:25-4:13.] Google clearly recognizes that the parties dispute ownership of the entire bundle of property rights associated with the inCircle code, not just ownership of copyright by referencing and disputing the legal effect o

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AEI's position has always been that it owns all rights to the inCircle code. Indeed, surprised to find that Google had used AEI's code in its Orkut.com product, AEI filed suit in California Superior Court seeking resolution of all ownership rights and alleging misappropriation by Google. AEI applied for and received a copyright registration in the inCircle code and associated user interface on June 22, 2004. [*Id.*, Ex. F] Google's counsel now represents to this Court that Google has asserted since at least as early as March 2004, two months before AEI filed suit, that "Google, not AEI, owned the rights to the code at issue in this case." [Kramer Decl., ¶ 4.] However, despite this claimed view, Google did not see fit to enforce its purported rights under federal law until nearly a year later, in February 2005. Google did not even submit its application for purported copyright registration in the inCircle code until January 2005. [Ramsey Decl., Ex. G]

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Thus, as a necessary prerequisite to its baseless copyright infringement claim, Google filed a declaratory judgment claim of ownership based on the contractual issues. This belies Google's claim of ownership and demonstrates that the contractual assignment issues are threshold issues appropriate for state court determination. Google's eleventh hour claim for relief from the federal court should be taken for what it is—a desperate bid to avoid a fatal determination in state court as to all ownership rights in the inCircle code.

III. ARGUMENT

A. Applicable Legal Standard.

It is well-established that a district court has inherent discretionary authority to stay proceedings pending the outcome of another action which bear upon the federal case, both in order to assist the court in efficiently managing its own docket and to provide fairness to the parties. *See Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936); *Mediterranean Enters. Inc., v. Ssangyong Corp.*, 708 F.2d 1458, 1465 (9th Cir. 1983). This inherent authority may be exercised to stay actions, in the appropriate circumstances, regardless whether they are matters of exclusive federal jurisdiction or concurrent jurisdiction with the state courts. *See Wilton v. Seven Falls Co.* 515 U.S. 277, 290 (1995); *Gen-Probe v. Amoco Corp.*, 1996 U.S. Dist. LEXIS 5393, *16 (S.D. Cal. 1996); *Summa Four v. AT&T Wireless Servs*, 994 F. Supp. 575, 581-582 (D. Del. 1998). The standard of review for a district court's grant or denial of a stay is abuse of discretion and will not be otherwise reviewed. *Nakash v. Marciano*, 882 F.2d 1411, 1413 (9th Cir. 1989).[1]

[1] Despite Google's protestations to the contrary (Opp. Br. at p.2, fn.1), the propriety of a stay may be considered under FRCP12(b)(1). The Ninth Circuit has held that a complaint may be dismissed if, when looked at as a whole, the complaint appears to lack jurisdiction either "facially" or "factually." *See Thornhill Pulb'g Co. v. General Tel &*

Inherent discretionary authority is a long-established principle that accords due deference to this Court's ability to efficiently and equitably manage proceedings before it and to avoid absurd results. Contrary to Google's assertions, this Court is both authorized and competent to stay this case pursuant to that authority, given that the state court action will determine all ownership issues disposing of this action entirely.

B. Google's Declaratory Judgment Request Creates No Independent Federal Jurisdiction; The Parties Should Be Permitted To Reach A Final Determination Of Ownership Of The InCircle Code In State Court.

The critical fact in the present federal action lies in Google's assertion of a declaratory judgment claim to establish ownership, in order to assert the copyright federal question claim. Google's federal complaint seeks a declaration of the parties' rights in the underlying inCircle code and software as a prerequisite to the copyright claim. [*See* Amended Compl at ¶ 34.] However, ownership of the entire bundle of property rights associated with the inCircle code, including ownership of any copyright, has been litigated in the pending state court proceedings for approximately one year, with a complete determination of this issue expected in the next four to six months.

The Declaratory Judgments Act creates a federal remedy, but not an independent basis for federal jurisdiction. *See Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671 (1950). Under the Declaratory Judgments Act, the federal court's jurisdiction is always discretionary, not mandatory. This court may and should exercise its discretion and decline to hear Google's declaratory relief claim because it presents the same issues of ownership now pending in the California state action—issues which are not governed by federal law.[2] Google purposely avoids

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Elec. Corp., 594 F.2d 730, 733 (9th Cir. 1979) (Faced with a factual attack on subject matter jurisdiction, "the trial court may proceed as it never could under Rule 12(b)(6) or Fed.R.Civ.P. 56. . . . No presumptive truthfulness attaches to plaintiff's allegations, and the existence of disputed material facts will not preclude the trial court from evaluating for itself the merits of jurisdictional claims. Moreover, the plaintiff will have the burden of proof that jurisdiction does in fact exist.") (internal citation omitted); *Kokkonen v. Guardian Life Ins. Co. of America*, 511 U.S. 375, 377 (1994) (burden to show jurisdiction lies with the [federal] plaintiff). Here, the district court lacks jurisdiction factually. Any question concerning ownership of the inCircle copyright is incidental to the broader question of ownership of the entire bundle of property rights already being litigated in state court. Google's copyright ownership allegations are frivolous. Thus as a federal plaintiff, Google has failed to show jurisdiction. Google's case may be dismissed or stayed under FRCP 12(b)(1), in addition to the district court's inherent authority.

[2] Google now attempts to mischaracterize the ownership issue as a matter of substantive copyright law. [Opp. Br., at 8-9] First, this is incorrect—Google knows well that state contract and partnership law fully decide the ownership issues in the case. Moreover, every one of Google's theories regarding purported interpretation of the Copyright Act

addressing the controlling authority provided in *Brillhart*. Precisely on point, *Brillhart* confirms this court's authority to decline jurisdiction of Google's declaratory judgment claim:

> Ordinarily, it would be uneconomical as well as vexatious for a federal court to proceed in a declaratory judgment suit where another suit is pending in a state court, presenting the same issues, not governed by federal law, between the same parties. Gratuitous interference with the orderly and comprehensive disposition of a state court litigation should be avoided.

Brillhart v. Excess Ins. Co. of Am., 316 U.S. 491, 495 (1942) (emphasis added). *See also Foad Consulting Group, Inc. v. Musil Govan Azzalino*, 270 F.3d 821, 827 (9th Cir. 1981)(state contract law governs ownership of a copyright so long as it does not conflict with federal copyright law).

Indeed, Google's federal action presents an example of vexatious litigation imposing on AEI an obligation to simultaneously litigate a copyright ownership in the inCircle code authored by Orkut Buyukkokten while AEI is completing litigation in state court on ownership of the entire bundle of property rights associated with the same code.[3] Especially so, where, as here, Google has been litigating the ownership issue as a defense state court for nearly a year. Moreover, the finding of the state court with respect to ownership of the inCircle code will have collateral estoppel effect on the parties in the federal case, as the issue of ownership will have been fully and fairly litigated and necessary to the outcome of the state court suit. *See, e.g., Cash Money Records, Inc. v. Dorsey*, 72 U.S.P.Q. 2d 1535 (E.D. La. 2004) (state court copyright ownership determination would have collateral estoppel effect in subsequent federal action); *Hernandez v.*

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is directed solely to its declaratory claim of ownership and merely anticipates ownership defenses which would be raised by AEI in this action. As such, these anticipatory assertions regarding expected defenses *do not* confer federal jurisdiction. *See Peay v. Morton*, 571 F. Supp. 108, 115-116 (M.D. Tenn. 1983) (like Google, copyright plaintiff anticipatorily alleged that construction of "conflicting transfer" provisions of Copyright Act purportedly conferred federal jurisdiction; Court disagreed, finding that the theories were merely anticipating probable defenses and thus "construction of the Act in the instant case would become necessary only by reason of the defenses raised to the plaintiff's claim of ownership," therefore assertions did not confer federal jurisdiction); *Keith v. Scruggs*, 507 F. Supp. 968, 970 (S.D.N.Y. 1981) (holding that no federal question sufficient for jurisdiction where complaint sought to establish title; plaintiff attempted to argue that ownership issues "arise under" the copyright laws by listing various issues that purportedly required construction of the copyright laws, including "work for hire" theories, however these assertions were merely anticipatory and defensive in nature, thus did not establish a federal question.); *see also Durgom v. Janowiak*, 74 Cal. App. 4th 178 (Cal. App. 1999) (same).

[3] Google incorrectly suggests that copyright ownership is not at issue in the state court action. [Opp. Br., at 15] That is simply not true. First, as Google admits the state court action "involves the same inCircle software" as the instant action—and all rights flow from that code. [*Id.*] Moreover, there are broad claims of misappropriation and conversion, which clearly encompass all rights in the inCircle code. *See e.g. Summa Four v. AT&T Wireless Servs*, 994 F. Supp. 575, 578 (D. Del. 1998) (state court conversion claim regarding technology encompassed ownership of federal patent rights; stay of federal action granted).

Peer Int'l Corp., 270 F. Supp. 2d 207, 214 (D. P.R. 2003). Of course, Google does not and cannot dispute this.

Further, absolute identity of issues between the state court and the federal court is not required for the federal court to justify declining declaratory judgment jurisdiction; an overlap of factual questions between the two actions suffices. *See Polido v. State Farm Mut. Auto Ins. Co.*, 110 F.3d 1418, 1423 (9th Cir. 1997). Clearly, there is overlap between the questions: Who owns rights in the code authored by Buyukkokten?" (AEI's State Complaint at ¶ 12: "As part of the agreement with C2C, Ziemann and Buyukkokten agreed to assign to the new company all inventions and all improvements relating to the Club Nexus technology.") and "Who owns the copyright in the inCircle code authored by Buyukkokten?" (Google's Amended Complaint at ¶ 1: "AEI's use of software code owned by Google"). Google concedes this overlap, spending many pages of its brief focused on ownership. [*See* Opp. Br. at 1:25-5:9] A finding in the state court proceedings that Google has no ownership rights in inCircle code would be determinative that Google does not own the copyright in the code, disposing of both Google's declaratory judgment and affirmative copyright infringement claims in federal court.

In such situations, federal courts usually abstain where a declaratory judgment action appears to have been filed to "preempt" litigation in state court between the same parties on the same state law issues. For example, where the declaratory remedy is being used merely for the purpose of "procedural fencing." *See State Farm Fire & Cas. Co. v. Mhoon*, 31 F.3d 979, 983 (10th Cir. 1994); *see also Exxon Shipping Co. v. Airport Depot Diner, Inc.*, 120 F.3d 166, 169 (9th Cir. 1997)(declaratory relief not a substitute for removal); *see also Government Employees Ins. Co. v. Dizol*, 133 F.3d 1220, 1225 (9th Cir. 1998)(*en banc*)(federal courts generally should decline to entertain "reactive declaratory actions"). Indeed, it is doubtful that this Court even has jurisdiction over any alleged copyright infringement, given that Google admits the ownership issues must be decided first. For example, where a plaintiff filed both a declaratory claim for ownership and a claim for infringement, the Court determined that because ownership was the real dispute, there was no jurisdiction over the infringement claim and *dismissed* the action:

In this case any finding of infringement would be clearly incidental to the main

> purpose of plaintiff's suit which, among other matters, seeks a declaratory judgment "that the copyrights in and to the First Work and Second Work have reverted, and/or have been forfeited, to plaintiff as a consequence of the aforesaid wilful and material breaches and repudiations of said contracts by defendants . . . ." Thus plaintiff's claim of infringement can only be asserted if it succeeds in establishing that the contract permits it, in the event of a breach, to declare the assignment of the copyrights forfeited and reverted to plaintiff. Viewing the complaint in terms of its essential claim – breach of contract – it must be dismissed for lack of jurisdiction without prejudice to plaintiff's right to bring an action in an appropriate forum.

Stepdesign, Inc., 442 F. Supp. at 34. Similarly, here, where the real threshold issue—ownership—is being fully litigated in state court, this Court most certainly has authority to stay the action.

C. Pursuant To Its Inherent Authority, And Under The Circumstances Of This Case, This Court Should Stay The Copyright Infringement Claim As Well.

Google does not and cannot dispute that ownership of the inCircle code will be determined in the state court action and thus dictate whether Google's federal claim for copyright infringement can proceed at all. Under these circumstance, this Court can and should exercise its long-established, inherent authority to stay Google's claim for copyright infringement.

Google argues incorrectly that because a claim for copyright infringement is the subject of "exclusive" federal jurisdiction, the Court somehow lacks the power to stay that claim pursuant to its inherent authority. To begin with, this is simply not the law. Indeed, recently, when considering the effect of a motion to stay a federal declaratory judgment action, the Supreme Court held in *Wilton v. Seven Falls Co.* that:

> We do not attempt at this time to delineate the outer boundaries of [] discretion in other cases, for example, cases raising issues of federal law or cases in which there are no parallel state proceedings.

515 U.S. 277, 290 (1995). *Wilton* therefore explicitly preserves a district court's discretion, in the appropriate circumstances, to stay an action which is the subject of exclusive federal jurisdiction. *See e.g. Summa Four*, 994 F. Supp. at 581-582 (finding that *Wilton* left the door open for district courts to exercise discretion in staying exclusive jurisdiction cases; "it is not believed the Supreme Court would countenance different discretion criteria for grant of stay" dependent on

which party filed first, as between a declaratory judgment action or infringement action);[4] *see also Applera Corp. v. Illumina, Inc.*, 282 F. Supp. 2d 1120, 1129 (N.D. Cal., 2003) (Supreme Court has "declined [in Colorado River] to prescribe a hard and fast rule for dismissals of this type") (internal citation omitted); *Medema v. Medema Builders, Inc.*, 854 F.2d 210, 213 (7th Cir. 1988) (authority cited by Google recognizes stay of exclusive jurisdiction cases; "we do not mean to create a monolithic rule subject to no exceptions"; observing that court previously held "a stay was permissible on the unique facts of that case despite the presence of [an exclusive jurisdiction] claim."). Thus, in the appropriate circumstances, such as the instant case, the Court most certainly may and should stay an exclusive jurisdiction claim.[5]

1. The Colorado River Doctrine Is Inapplicable.

Google bases its misguided arguments solely on cases involving the *Colorado River* doctrine. However, the *Colorado River* doctrine only applies where there is completely parallel identity between issues in the state and federal proceedings. Here, however, there is an additional (although illusory) claim for copyright infringement in the federal action and a variety of additional state law claims in the state court action. Therefore, this action and the state action are not completely parallel and application of the *Colorado River* doctrine is inappropriate. Thus, Google's reliance on the doctrine is misplaced and all of its cited authority is inapposite for this reason. Moreover, *none* of Google's authority involves a state court trial on ownership of intellectual property which will be *completely determinative* of the federal infringement action. Therefore, they do not control under the facts of this case. [*See* Opp. Br., at 10-14 (citing case law inapplicable for these reasons)]

Rather, the applicable test for staying a federal exclusive jurisdiction action in favor of a

[4] Relying on attorney argument alone, Google argues that the *Wilton* case purportedly closed the door to a district court exercising its discretion to stay an exclusive jurisdiction case. [Opp. Br., at 17] However, the extremely well-reasoned *Summa Four* opinion (which is squarely on the facts of the instant case) relied on *Wilton* to stay an exclusive federal jurisdiction action. *See Summa Four*, 994 F. Supp. at 581-582.

[5] Indeed, this is particularly true in the instant action where the real dispute is ownership and the "infringement" claim is illusory. It has long been established that "even an infringement claim will not invoke federal jurisdiction when the claim is merely incidental to a primary dispute over copyright ownership under state law." *RX Data Corp. v. Department of Social Services*, 684 F.2d 192, 196 (2d Cir. 1982); *see also Stepdesign, Inc. v. Research Media, Inc.*, 442 F. Supp. 32 (S.D.N.Y. 1977) (dismissing copyright infringement claim because real issue was plaintiff's declaratory claim for ownership, which should have been brought in state court).

state court action, pursuant to the Court's inherent authority, is highly fact-based and provides consideration and weighing of "competing interests which will be affected by the granting or refusal to grant a stay" including "possible damage which may result from the granting of a stay, the hardship of inequity which a party may suffer in being required to go forward, and the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay." *Gen-Probe*, 1996 U.S. Dist. LEXIS 5393 at *16 (quoting *Filtrol v. Kelleher*, 467 F.2d 242, 244 (9th Cir. 1972)). Applying these principles, Courts have routinely stayed federal proceedings involving infringement of federal intellectual property rights, where there are underlying state actions which will determine ownership of those rights.

2. In *Gen-Probe, Inc. v. Amoco Corp.* (S.D. Cal) And *Summa Four v. AT&T Wireless* (D. Del.) Courts Exercised Their Inherent Authority To Stay Federal Infringement Claims Pending Resolution Of Ownership Issues In State Court.

In *Gen-Probe, Inc.*, 1996 U.S. Dist. LEXIS 5393, after ownership of a patent was being litigated in California state court, one party filed a federal patent infringement claim on the patent. The federal court stayed the infringement claim, subject to exclusive federal jurisdiction, until resolution of the state action noting if the federal plaintiff lost in the state action, it "would be deprived of any ownership interest at all in the patents in suit, and would lack standing to complain" about alleged infringement. *Id.* at *17. The Court found that the infringement action would impose "massive cost" on the parties and court and that the federal plaintiff "fails to make any persuasive arguments as to the prejudice it might suffer from a stay." *Id.*

Similarly, in *Summa Four*, 994 F. Supp. 575, almost one year after initiation of a state court action concerning ownership disputes and theft of trade secrets and proprietary information, a patent issued to one of the parties which then filed suit for patent infringement in federal court. *Id.* at 577-578. The technology at issue in the state court action formed the basis of the patent in suit, and therefore any resolution of the ownership of the underlying technology for the patent was being litigated in the state court action. *Id.* Since resolution of the ownership issues in the underlying technology in state court would completely determine the ownership of the patent in suit, the court held that it would "stay its hand notwithstanding it is an exclusive federal jurisdiction case." *Id.* at 577.

In doing so, the court first considered whether the *Colorado River* doctrine applied. The *Summa Four* court concluded that it did not apply because the "parallelism" requirement was not met. *Id.* at 580-581. That is, while both actions had common ownership issues, the federal action also included an infringement claim. *Id.* The court continued, noting that "[t]he fact that the *Colorado River* doctrine is inapplicable does not end the inquiry." *Id.* at 581. The court observed that a *per se* rule that cases involving exclusive federal jurisdiction could never be stayed in deference to a state proceeding could, in certain circumstances, "lead to an enormous waste of judicial resources and litigant's time and money." *Id.* at 582. The court continued that, when those cases present themselves, "a federal court should not be powerless to act if failure to act leads to absurd consequences." *Id.*[6] Finding guidance in a variety of jurisprudence, including *Colorado River*, the court crafted a multi-factor test suitable for assessing the propriety of stay under the circumstances. *Id.* at 581-585; *see also Applera Corp.*, 282 F. Supp. 2d at 1129-1131 (considering and adopting reasoning similar to *Summa Four*).

In determining that it was appropriate to stay the federal infringement action in deference to the state court action which would conclusively determine ownership of the intellectual property and potentially obviate the federal action, the *Summa Four* court considered that:

1. Stay would avoid duplicative or piecemeal litigation by potentially obviating the federal infringement litigation;

2. Trial in the state action was only six months away, over 200,000 documents had been produced, and only 30 depositions remained, while discovery had not commenced and the initial Rule 16 conference had not even taken place in the federal action;

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[6] This reveals the absolutely incorrect nature of Google's position that "considerations of judicial economy and avoidance of piece-meal or duplicative litigation are not separately analyzed where there is *exclusive federal jurisdiction*." [Opp. Br., at 11] That is, Google says that the Court is not allowed under any circumstances to exercise its inherent authority to stay a claim subject to exclusive jurisdiction. This is just wrong. As shown herein, *numerous* courts have stated otherwise and have stayed exclusive jurisdiction claims under the appropriate facts. Google ignores that its own cited authority states otherwise and hopes AEI and the Court won't read the cases. *See e.g.*, *Medema*, 854 F.2d at 213 (cited by Google; observing that court did "not mean to create a monolithic rule subject to no exceptions" and that exclusive jurisdiction claims could be stayed "on the unique facts" of a given case).

3. The ownership issues were identical in the state and federal actions;

4. The state court could adequately protect the parties' rights with respect to ownership of the intellectual property and if the federal plaintiff was found to own the patent, stay would not be unduly prejudicial as damages could have accrued during that time;

5. The court could say with confidence that the state trial would come to judgment far before discovery and dispositive motion practice could be completed in the federal action;

6. Pre-litigation documentary evidence existed which provided heightened comfort and assurances that the federal defendant had a colorable state claim that the federal plaintiff did not own the patent;

7. A stay would not interfere with federal exclusive jurisdiction, because if the federal plaintiff prevailed in state court it would be free to maintain its infringement suit in federal court;

8. It would be prejudicial to the federal defendant to simultaneously argue that patent was invalid and unenforceable in federal court, and at the same time argue in the state action that it owned the patent;

9. Judicial economy was substantially advanced by avoiding needless discovery, time and expense, and at worst the federal action would be delayed "for a relatively short period of time."

Id. at 582-584. Balancing these factors, the Court concluded that it was appropriate to stay the federal action, pending resolution of the ownership issues in the state action which could be determinative of the federal action. *Id.* at 585.

3. **The Circumstances In The Instant Case Are Virtually Identical To Those In *Gen-Probe* and *Summa Four*, Therefore The Court Can And Should Stay The Instant Action, Based Upon The Same Reasoning.**

The circumstances of the instant case are virtually identical to *Gen-Probe* and *Summa Four*. Indeed, here if AEI prevails on ownership in the state court action, it will be unnecessary to proceed with the instant federal action at all. Moreover, a stay will not impose any prejudice at all on Google as trial in the state court will be concluded in only several months. By contrast, if this action proceeds it will impose massive and unnecessary cost on all parties. Thus, the matter should be stayed. *See Gen-Probe, Inc.*, 1996 U.S. Dist. LEXIS 5393 at *16-17.

Similarly, this case is factually almost identical to *Summa Four*.

1. As in *Summa Four*, a stay in this case would avoid duplicative or piecemeal litigation

by potentially obviating the federal infringement litigation;

2. As in *Summa Four*, the federal action was initiated long after the state action (nearly a year), trial in the state action is only several months away, almost 200,000 pages of documents have been produced and the remaining 9 fact depositions are being scheduled (in *Summa Four* there were 30 depositions left). Similarly, as in *Summa Four*, discovery has not commenced in the federal action, nor has the Rule 16 conference occurred in this action.

3. As in *Summa Four*, the ownership issues are identical in the state and federal actions;

4. As in *Summa Four*, the state court can adequately protect the parties' rights with respect to ownership of the intellectual property and if Google were found to own the copyright, stay would not be unduly prejudicial as damages could have accrued;

5. Very similar to *Summa Four*, the state trial date will be set the day after this brief is filed and is likely to occur within the next four to six months. Given the relative progress of the federal and state cases, this Court can be confident that the trial in the state action will come to judgment long far before discovery and dispositive motion practice could be completed in the instant action;

6. Even more forcefully than in *Summa Four*, as is detailed in the factual background, there is *substantial* pre-litigation evidence which proves that AEI has not only a colorable, but an incontrovertible claim before the state court that it owns the copyright in the inCircle code;

7. As in *Summa Four*, a stay will not interfere with federal exclusive jurisdiction, because if Google were to prevail in state court it would be free to maintain its infringement suit in this Court;

8. As in *Summa Four*, it would be prejudicial to force AEI to simultaneously argue invalidity of the copyright in federal court and ownership of the copyright in the state action;

9. As in *Summa Four*, judicial economy will be substantially advanced by avoiding needless discovery, time and expense, and at worst this action will be delayed "for a relatively short period of time." Indeed, in *Summa Four* six months elapsed between the motion for stay and the scheduled trial. Here, by the time discovery begins, assuming a late-July trial date, only three weeks would elapse. Even if trial is a few months later, it is still within the facts of *Summa Four*.

This dispute squarely meets the factors laid out in *Summa Four*. Given a balancing of these factors, it is completely appropriate for the Court to stay this action pending the outcome of trial in the California state action, which will very likely be determinative of this entire federal action, as all ownership issues will shortly be resolved.

D. Google Should Not Be Permitted to Achieve A Belated Removal of Its Dispute With AEI to Federal Court.

Google contends in the pending state court case, that it has always asserted that it owns the inCircle code, as far back as March of 2004. [Kramer Decl., Ex. ¶ 4] Clearly then, Google had sufficient opportunity to remove the state court case within the required 30 day period after AEI filed its complaint in Santa Clara County Superior Court on May 25, 2004. *See* 28 U.S.C. § 1446(b). But, Google elected not to do so. Unfortunately for Google, any removal action could have been and should have been brought long ago. *See Government Employees Ins. Co. v. Dizol*, 133 F.3d 1220, 1225 (9th Cir. 1998)(*en banc*) (federal courts generally should decline to entertain "reactive declaratory actions"); *State Farm Fire & Cas. Co. v. Mhoon*, 31 F.3d 979, 983 (10th Cir. 1994); *see also Exxon Shipping Co. v. Airport Depot Diner, Inc.*, 120 F.3d 166, 169 (9th Cir. 1997)(declaratory relief not a substitute for removal).

It is important to understand Google's motivations. Realizing that: (a) it cannot refute that it copied and used the inCircle code, (b) it is indisputable that AEI owns the rights in the inCircle code pursuant to many agreements, and (c) trial on these matters is approaching rapidly, Google belatedly asserts that it owns the copyright in the inCircle code, solely in an attempt to avoid the inevitable state court judgment against it and to move the dispute into what it perceives as a longer federal court docket. This is desperate gamesmanship and nothing more.

It is also important to realize the inequitable implications of Google's view. If Google were able to succeed in the instant procedural gambit then every defendant in a trade secret case involving source code could wait literally until the eve of trial, dispute ownership of the copyright in the source code, file declaratory judgment and copyright infringement claims in federal court, and demand that the federal court "start over" and hear those claims, even if the state court proceedings would be determinative of those claims. That position is completely unsupported by any of the authority Google cites, is contrary to all reasonable case management and eviscerates the entire purpose of the rules governing removal. Google's position must be rejected.

E. Both Google's Abandoned Lanham Act Claim and Its Claim for Attorneys' Fees Should Be Dismissed With Prejudice

With respect to Google's purported ability to allege a Lanham Act in the future, the law in the Ninth Circuit on this issue is quite clear: "It has long been the rule in this circuit that a plaintiff waives all causes of action alleged in the original complaint which are not alleged in the amended complaint." *London v. Coopers & Lybrand*, 644 F.2d 811, 814 (9th Cir. 1981). In the face of controlling adverse legal authority, Google and/or its attorneys feel compelled to mischaracterize *London* saying that it has "nothing to do with re-alleging a claim in the trial court" but rather purportedly says that "claims that are voluntarily withdrawn cannot be argued on appeal." [*See* Opp. Br. at 18:12-15.]

Unfortunately for Google, the *London* court did not hold that. Instead, it confirmed the trial court's dismissal of plaintiff's Title VII claim: "When the district court dismissed London's cause of action under Title VII, it did so because London failed to amend as to Title VII in her Second Amended Complaint. The Court acted properly in doing so according to the Ninth Circuit rule." *Id.* Google ignores altogether another Ninth Circuit case flatly contradicting its position, which held: "All causes of action alleged in an original complaint which are not alleged in an amended complaint are waived." *King v. Atiyeh*, 814 F.2d 565, 567 (9th Cir. 1987). Accordingly, because Google alleged a Lanham Act claim in its original complaint, but failed to allege that cause of action again in its Amended Complaint, it is deemed waived. Because the Lanham Act claim is waived, it cannot be re-asserted by Google.

Further, Google does not address at all in its opposition brief its claim for attorneys' fees, made under 17 U.S.C. 504. For the reasons explained in AEI's opening brief, that claim should be dismissed with prejudice under 17 U.S.C. Section 412. [*See* AEI Br. at 11:1-19]

IV. CONCLUSION

For the foregoing reasons, AEI respectfully requests that Google's copyright infringement and declaratory judgment claims be stayed, that Google's prayer for attorney's fees be dismissed, and that Google's Lanham Act claim be dismissed with prejudice.

Respectfully submitted,

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